

June 19, 2006

TO: All Departments and Independent Agencies

FROM: Department of Budget and Management (DBM)

SUBJECT: FY 2008 Operating Budget Technical Instructions

Although revenue projections are looking better than anticipated, Maryland State Government still faces budgetary challenges in the coming years that we must address in order to submit balanced budgets for FY 2008 and subsequent years.

It is important even in these somewhat better fiscal times for all agencies to think strategically and to apply the performance data developed through the Managing for Results (MFR) process to refine budget priorities and identify both programs that are working well and activities of questionable value that could be reduced or eliminated. By applying strategic budgeting and MFR principles, we will continue to reduce the price of government and maintain the Ehrlich-Steele Administration strategic priorities of:

- Education,
- Public Safety,
- Health and the Environment,
- Commerce, and
- Fiscal Responsibility.

Strategic Budgeting for FY 2008 will build upon the analyses provided by agencies for the FY 2007 budget. Although agencies will not be required to formally complete the entire Strategic Budgeting workbook for FY 2008, agencies should continue to perform strategic budgeting analyses that support development of fiscally prudent budgets. Agencies will be advised individually concerning budget targets, areas of particular focus, and submission deadlines.

Updates and Revisions

- Managing for Results: There are significant changes to the procedures for submission of Managing for Results documents and supporting information. Instructions are provided in the Managing for Results section of these instructions.
- Budget Amendments: NOTE THREE IMPORTANT POINTS ABOUT BUDGET AMENDMENTS
 - The General Assembly added language to Section 37 of the Budget Bill requiring DBM to develop policies and procedures “to minimize reliance on budget amendments for appropriations that could be included in a deficiency appropriation.” If there are potential budget amendments that can be appropriated through a FY 2007 deficiency, those deficiencies should be brought to the attention of DBM as you prepare your FY 2008 budget request.

- Section 37, Item 7, of the FY 2007 Budget Bill requires that only budget amendments signed by the Governor be reflected in the FY 2007 appropriation detail printed in the Governor's Allowance for FY 2008, exclusive of the Maryland Department of Transportation PAYGO capital program. If an agency intends to update the FY 2007 Legislative Appropriation to reflect budget amendments in process, all budget amendments must be submitted to DBM no later than September 30, 2006.
- Additionally DBM will be working with agencies to more accurately estimate the federal fund and special fund appropriation requirements for FY 2008 to be included in the Governor's allowance for FY 2008. Improved estimates for these funds should reduce the need for budget amendments in FY 2008.
- Organization Charts: In accordance with Section 33 of the FY 2007 Budget Bill, agencies are required to submit organizational charts by department, unit, agency, office, and institution that depict the allocation of personnel across operational and administrative activities. See page 96 for further instructions.
- Pay Plan Adjustments: Currently many agencies request pay plan adjustments and new classifications outside the budget process. The current practice does not provide review by key decision makers and prohibits a review in context of the overall State budget. In order to assure a more orderly reclassification review process that is integrated with the budget process, agencies should include these classification requests as part of the proposed FY 2008 budget request. Agencies will use forms DBM-DA-25A and DBM-DA-25B. Agencies are instructed to budget for these adjustments in Comptroller Object 0112, reclassifications. If an agency has included funding in Comptroller Object 0112 without the supporting documentation, DBM will reduce funding when developing the FY 2008 Allowance. See pages 48-52 for information on required supporting documentation.
- Turnover: Turnover should no longer be calculated on health insurance comptroller objects 0152 and 0154.

Over the Target Requests

Requests for funding above the target should be completed in accordance with guidance on pages 73-75 and submitted separately on the revised DBM-DA-21 form at the same time as the budget request.

Statewide Allocations

The budget request for FY 2008 should contain the same amount by fund as the FY 2007 Appropriation for the following items:

- Injured Worker's Insurance Fund (IWIF) premiums (object 0175)
- DBM paid telecommunications (object 0305)

- DBM telecommunications lease costs (object 0322)
- Maryland Environmental Service wastewater and/or water services (object 0697)
- Office of Administrative Hearings (object 0831)
- Annapolis Data Center Charges (object 0882)

Additionally agencies for which special-funded legislative audit chargebacks were budgeted in FY 2007, should deduct the chargebacks from the request for FY 2008. Agency budgets will be modified as necessary by DBM once decisions about the items listed above are finalized.

Salaries and Benefits

Agencies should submit requests for salaries and fringes in accordance with the Budget Instructions using the pay plan in effect July 1, 2006.

Funding by Subobject

The Budget Bill for FY 2007 requires that “to the extent possible, except for public higher education institutions, subobject expenditures shall be designated by fund.” Therefore all State agencies, except public higher education institutions, are required to submit the FY 2008 budget request with designated funding at the subobject level. Subobject level funding is to be reflected for the FY 2006 Actual, FY 2007 Appropriation and FY 2008 Request.

Reorganizations

Any reorganization to be incorporated in the budget allowance must be included in the budget request documents. No major reorganization for the request year may be proposed or submitted between the budget submission deadline and December 31. Agency budget documents for the Actual Year and Appropriation Year must be presented consistent with any reorganization for the Request Year.

Operating Maintenance

All new or additional operating maintenance projects should be sent directly to the Assistant Manager for Maintenance Engineering, Department of General Services, 301 W. Preston Street, Room 1405, Baltimore, MD 21201. Call (410) 767-4263 with questions.

Please note that the agency budget submission should exclude any funding for the following items in the request year:

- Operating maintenance projects administered by the Department of General Services, and
- General-funded capital projects.

Indirect Cost Allocation Plans

Where applicable, each State agency must submit a copy of its indirect cost allocation plan currently approved by the applicable Federal agency along with its FY 2008 budget request. Instructions are included on pages 94-95 that outline the specific reporting requirements for submitting the indirect cost allocation plan.

Agency Agreements

On or before August 1, 2006 each State agency and each public institution of higher education must report any interagency agreements in place for any part of fiscal year 2007 between State agencies and any public institution of higher education involving potential expenditures in excess of \$100,000 over the term of the agreement. Please refer to the reporting requirements on the DBM website, Procurement & Contracts, FY 2006 Interagency Agreement Reporting. This reporting mechanism was described in the Budget Bill for 2006 and was further defined in Section 31 of the Budget Bill for 2007.

Agreements between two or more State agencies involving expenditures in excess of \$100,000 will continue to be reported to the BPW and DLS as required by the Budget Reconciliation and Financing Act of 2004. The reports must include information on the creation of positions related to the agreement.

In preparing the FY 2008 budget request, agencies should continue to report planned agreements using the form DBM-DA-23 (page 143). The legislature may again require notification before agreements are implemented.

IF YOU WISH TO OBTAIN A CD OF THE BUDGET INSTRUCTIONS EMAIL CHERI GERARD, CGERARD@DBM.STATE.MD.US.

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